

## DEFENSE BUSINESS BOARD



# Transforming DoD's Core Business Processes for Revolutionary Change

January 22, 2015

# Agenda and Task Group Members

- Task Group
- Terms of Reference Overview
- Approach
- Data Analysis Core Business Processes
  - Findings and Recommendations
- Change Management Practices
  - Findings and Recommendations
- Appendices
  
- **Members**
  - Ms. Roxanne Decyk (Co-Chair)
  - Mr. Kenny Klepper (Co-Chair)
  - Mr. Philip “Phil” Odeen
  - Mr. Emil Michael
  - John O’Connor (Consultant)



# The Bottom Line

- We are spending a lot more money than we thought
- We can see a clear path to saving over **\$125 billion** in the next five years
- The greatest contributors to the savings are early retirements and reducing services from contractors
- Early mobilization is the single biggest lever . . . Every billion saved in 2016 is worth 5 billion FY16-FY20 due to the compounding effect
- Retaining institutional knowledge (keeping the “masters”) within the organization is important. We propose granting “retention bonuses” in 2016 and 2017 to these key players as a powerful enabler
- Significant legacy technology obsolescence must be addressed to achieve agility and innovation going forward



# Terms of Reference Overview

## **Provide Recommendations for:**

- Modernizing our business processes and supporting systems
- Creating an agile enterprise shared services organization
- Leveraging industry best practices
- Consolidating IT “utilities” into a shared service
- Conceptual roadmap for staged modernization of an OSD principal staff assistant organization
- Enterprise cash flow model for business process economic and performance optimization
- Enterprise organizational structures to accelerate innovation and agility to end user communities
- Leveraging previous study recommendations



# Approach

- Reviewed relevant literature and past DoD studies and reports
- Created a baseline of DoD labor costs across the six core lines of business and conducted analysis of the data
- Interviewed 85+ private industry and current/recent DoD senior military and civilian leaders on business process redesign and enterprise architecture
- Researched “best business practices” – private sector, academia, think tanks, DoD, and Federal agencies
- Make actionable recommendations per Tasking from Deputy Secretary of Defense (DEPSECDEF)



# 6 Core Business Processes (CBP)

## Admin costs ~\$670 billion FY 16-20

Innovation and agility support services

INNOVATION AND AGILITY COMMAND CENTER					
Business functions	Army	Air Force	DoN	4 <sup>th</sup> Estate	Totals (workforce / cost)
HR Management	\$4.9B	\$2.1B	\$3.1B	\$1.3B	84k workforce \$11.4B
Health Care Management	\$1.6B	\$0.5B	\$0.7B	\$1.3B	30k workforce \$4.1B
Financial Flow Management	\$1.1B	\$1.4B	\$1.1B	\$1.8B	41k workforce \$5.4B
Supply Chain & Logistics	\$14.8B	\$10.1B	\$16.9B	\$10.2B	457k workforce \$52.1B
Acquisition & Procurement	\$12.2B	\$8.5B	\$12.9B	\$4.2B	207k workforce \$37.5B
Real Property Management	\$8.8B	\$4.2B	\$8.3B	\$1.9B	192k workforce \$22.6B
Totals (workforce / cost)	337k \$43.4B	216k \$26.8B	345k \$43.2B	116k \$20.6B	1,013k baseline workforce \$134B baseline cost

Note: Fully burdened rate for CIVPERS and MILPERS based on CIVPERS Fringe Benefits Rates & Service Composite Rates. Includes active military personnel only. Numbers may not add due to rounding



# Over 1 million people work in these six processes



*The workforce equivalent of **40 Pentagons** are involved in the six processes*

HR Management



$\times 3 \frac{1}{2}$

Health Care Management



$\times 1$

Financial Flow Management



$\times 1 \frac{1}{2}$

Supply Chain & Logistics



$\times 18$

Acquisition & Procurement



$\times 8 \frac{1}{2}$

Real Property Management



$\times 7 \frac{1}{2}$

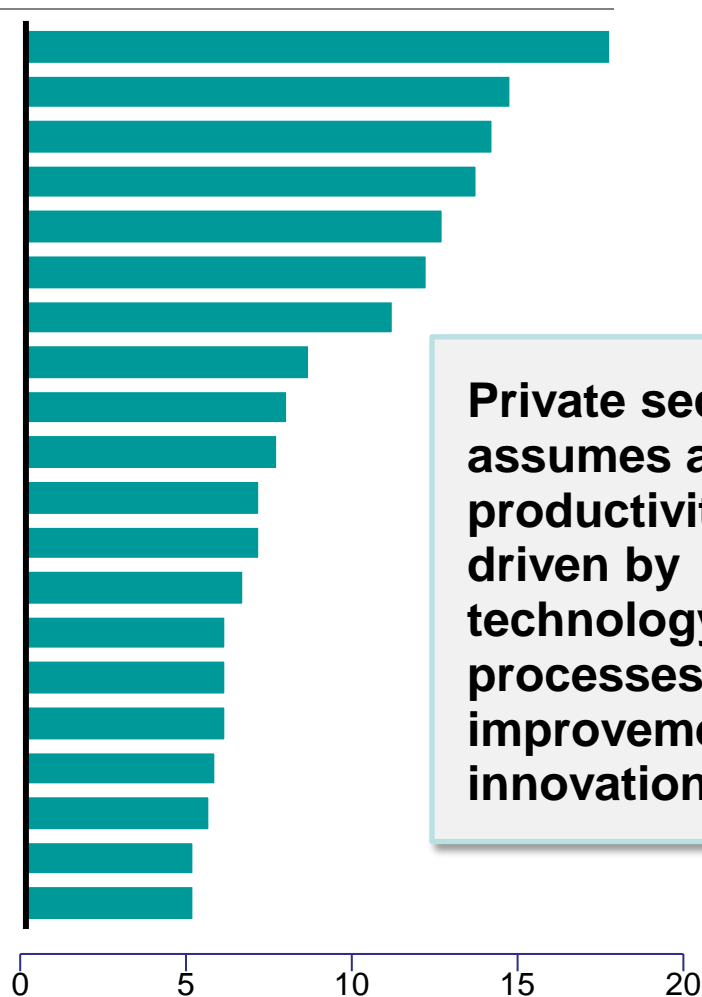


# Industry “Best Practices” Productivity Gains

## Industries with the most rapid change in output

Per Hour, 2000-2010

Wireless communications carriers (except satellite)  
Computer and peripheral equipment manufacturing  
Electronics and appliance stores  
Commercial equipment merchant wholesalers  
Employment placement agencies  
Electronic shopping and mail-order houses  
Semiconductor and other electronic component manufacturin  
Travel arrangement and reservation services  
Other transportation equipment manufacturing  
Photofinishing  
Manufacturing and reproducing magnetic and optical media  
Drugs and druggists' sundries merchant wholesalers  
Officer supplies, stationary, and gift stores  
Video tape and disc rental  
Electrical and electronic goods merchant wholesalers  
Fabric mills  
Lawn and garden equipment and supplies stores  
Cable and other subscription programming  
Iron and steel mills and ferroalloy manufacturing  
Motor vehicles manufacturing



**Private sector  
assumes annual  
productivity gain  
driven by  
technology,  
processes  
improvement and  
innovation**

**Labor productivity**

(average annual percent change)

SOURCE: U.S. Bureau of Labor Statistics

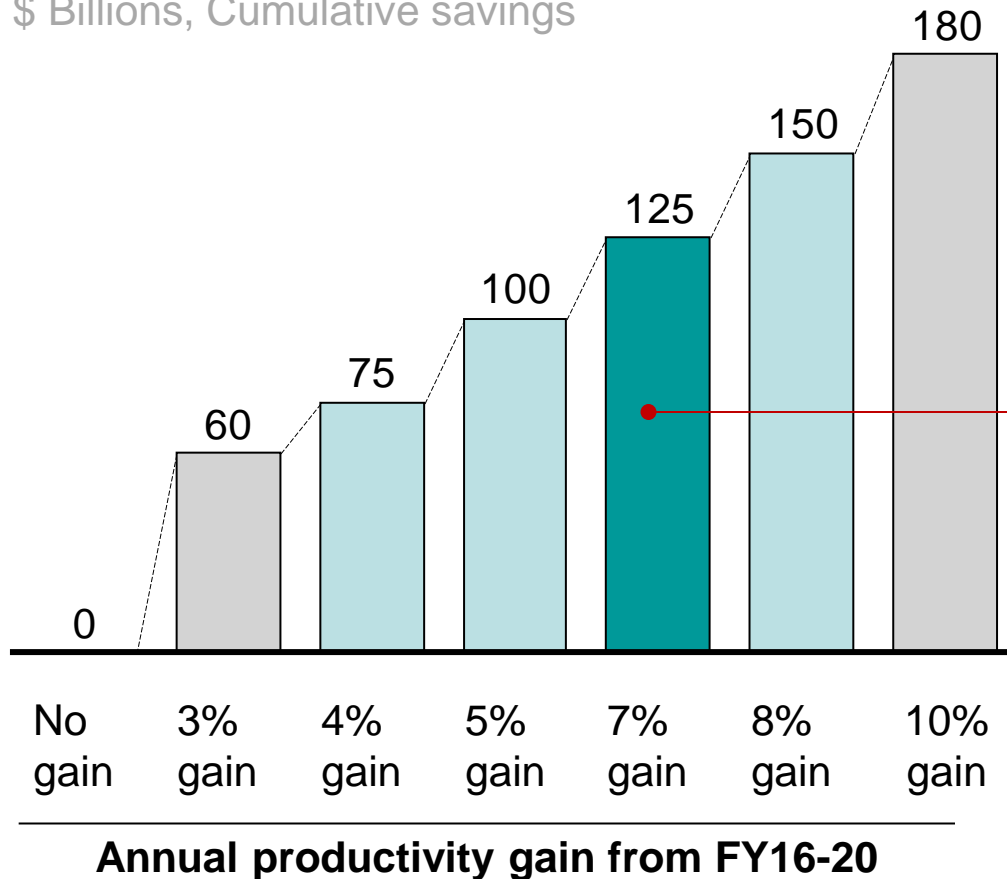




# 4-8% annual productivity gain for DoD is a realistic goal

## Cumulative savings over FY16-20

\$ Billions, Cumulative savings



- The potential savings implies a productivity gain of 4-8% per year over FY16-20
- Private sector industries commonly show similar gains as part of 'business as usual'
- A portion (<10%) of the gains can be **reinvested** to modernize the department and fund warfighter needs

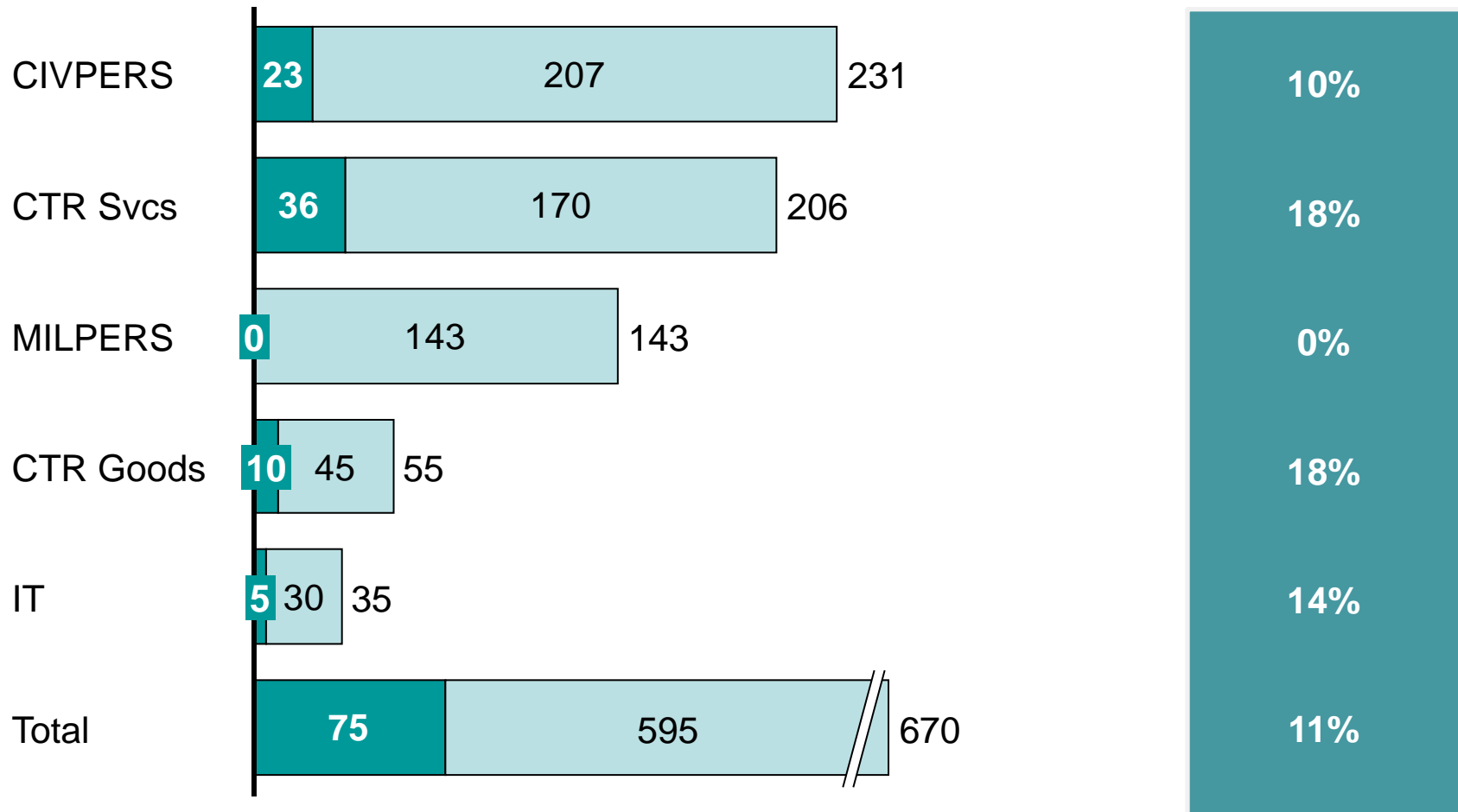


# Where the Base Case Savings Are

## FY16-20 Expenditures/Workforce & Savings by Category

\$ Billions

% Total \$ & FTE Savings



# Savings Scenarios

## Savings by Lever - Base Case

	Estimated Annual Savings (\$B)					Total % savings	
	2016	2017	2018	2019	2020		
Contracts	3	7	10	13	13	46	18%
Retirement	1	2	3	4	4	14	6%
Attrition	1	1	2	2	3	9	4%
IT	0	0	1	1	1	5	14%
<b>Total</b>	<b>5</b>	<b>11</b>	<b>17</b>	<b>21</b>	<b>22</b>	<b>75</b>	<b>11%</b>
% savings from FY14	3%	8%	12%	15%	16%		
% productivity gain	-	5%	4%	3%	1%		

- Implies an initial 3% Year 1 savings and annual productivity gain ranging from 1%-5% over time
  - Modest 5% savings in contracted spend
  - 100% backfilled personnel at lower GS levels

## Savings by Lever - Moderate

	Estimated Annual Savings (\$B)					Total % savings	
	2016	2017	2018	2019	2020		
Contracts	5	10	16	18	21	71	27%
Retirement	3	4	4	5	6	23	10%
Attrition	2	3	5	6	7	23	10%
IT	2	2	2	2	2	9	25%
<b>Total</b>	<b>12</b>	<b>20</b>	<b>27</b>	<b>31</b>	<b>36</b>	<b>125</b>	<b>19%</b>
% savings from FY14	9%	15%	20%	23%	27%		
% productivity gain	-	5%	5%	3%	3%		

- Implies an initial 9% Year 1 savings and annual productivity gain ranging from 3%-5% over time
  - 10% Year 1 savings in contracted spend
  - Modest early retirement adoption
  - Limited backfill of retirements and attrition

## Savings by Lever - Aggressive

	Estimated Annual Savings (\$B)					Total % savings	
	2016	2017	2018	2019	2020		
Contracts	13	13	16	21	26	89	34%
Retirement	5	5	6	6	7	29	19%
Attrition	2	3	5	6	7	23	4%
IT	2	2	2	2	2	9	25%
<b>Total</b>	<b>21</b>	<b>23</b>	<b>28</b>	<b>35</b>	<b>42</b>	<b>150</b>	<b>22%</b>
% savings from FY14	16%	17%	21%	26%	31%		
% productivity gain	-	2%	3%	5%	5%		

- Implies an initial 16% Year 1 savings and annual productivity gain ranging from 2%-5% over time
  - Aspirational 25% Year 1 savings in contracted spend
  - Greater adoption of early retirement
  - Limited backfill at lower GS levels



# “Warfighter Currency”

Moderate savings scenario of \$125 billion over 5 years could fund the below activities for 5 full years

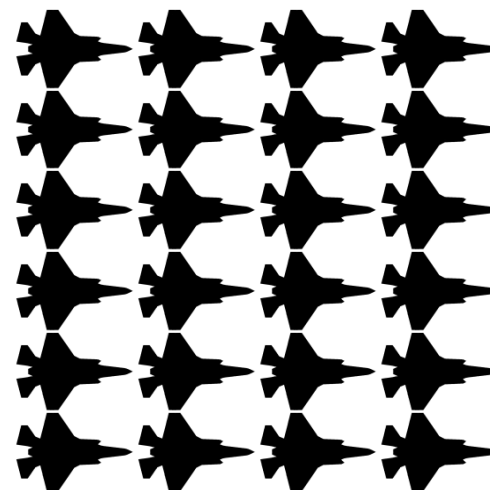
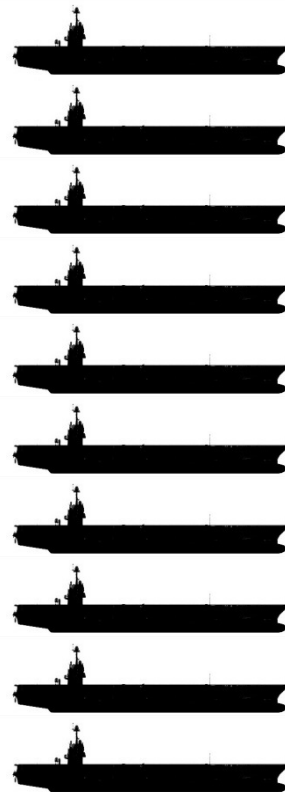
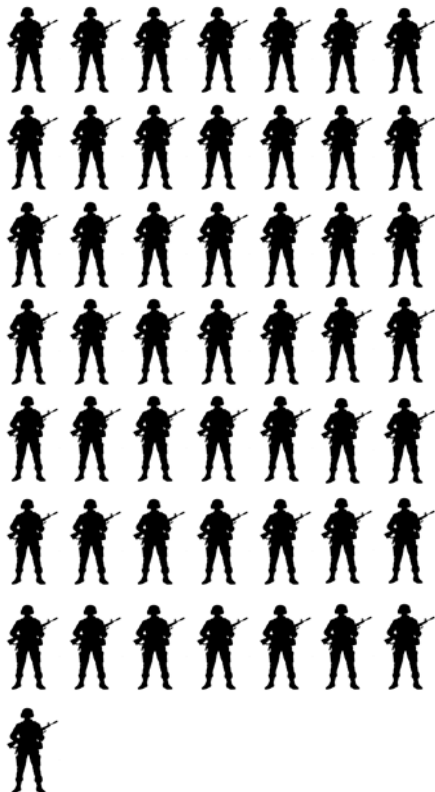
**50 Army  
Brigades**

OR

**10 Navy Carrier  
Strike Group  
Deployments**

OR

**83 Air Force  
F-35 Fighter Wings**



x4



= 1 Army Brigade Combat Team  
(~4,325 soldiers)



= 1 Air Force Wing (Ops Group only)  
(~36 aircraft)



= 1 Carrier Strike Group  
(1 carrier + air wing, 1 attack  
sub, 5 surface combatants)

Sources: CAPT Henry J. Hendrix, USN, “At What Cost a Carrier?,” CNAS, March 2013; Army Force Management Division; and Selected Acquisition Report 2013



# Rapid mobilization in FY15 required to achieve the FY16 moderate scenario

## Contract Optimization: ~ \$5B Value in FY16

Feb-Mar '15

### Stand up and train teams

Establish cross-DoD teams for each process and build the playbooks for the methodology

### Prioritize high-value contracts

Identify shortlist of contracts for optimization effort and define high-priority categories

Apr-Dec '15

### Deploy Optimization toolkit

Optimize large contracts in each major category

- Bottom-up cost model
- Modify requirements
- Price vs. benchmarks

### Renegotiate contracts and track savings

Renegotiate contracts, track savings, and scale methodology to smaller contracts

## Workforce Productivity: ~ \$5B Value in FY16

Feb-Mar '15

### Stand up and train team

Establish cross-DoD teams for productivity improvement initiatives

### Design initiatives

Develop targeted productivity initiatives (e.g., workload rationalization, spans and layers)

Apr-Dec '15

### Rapidly deploy productivity initiatives

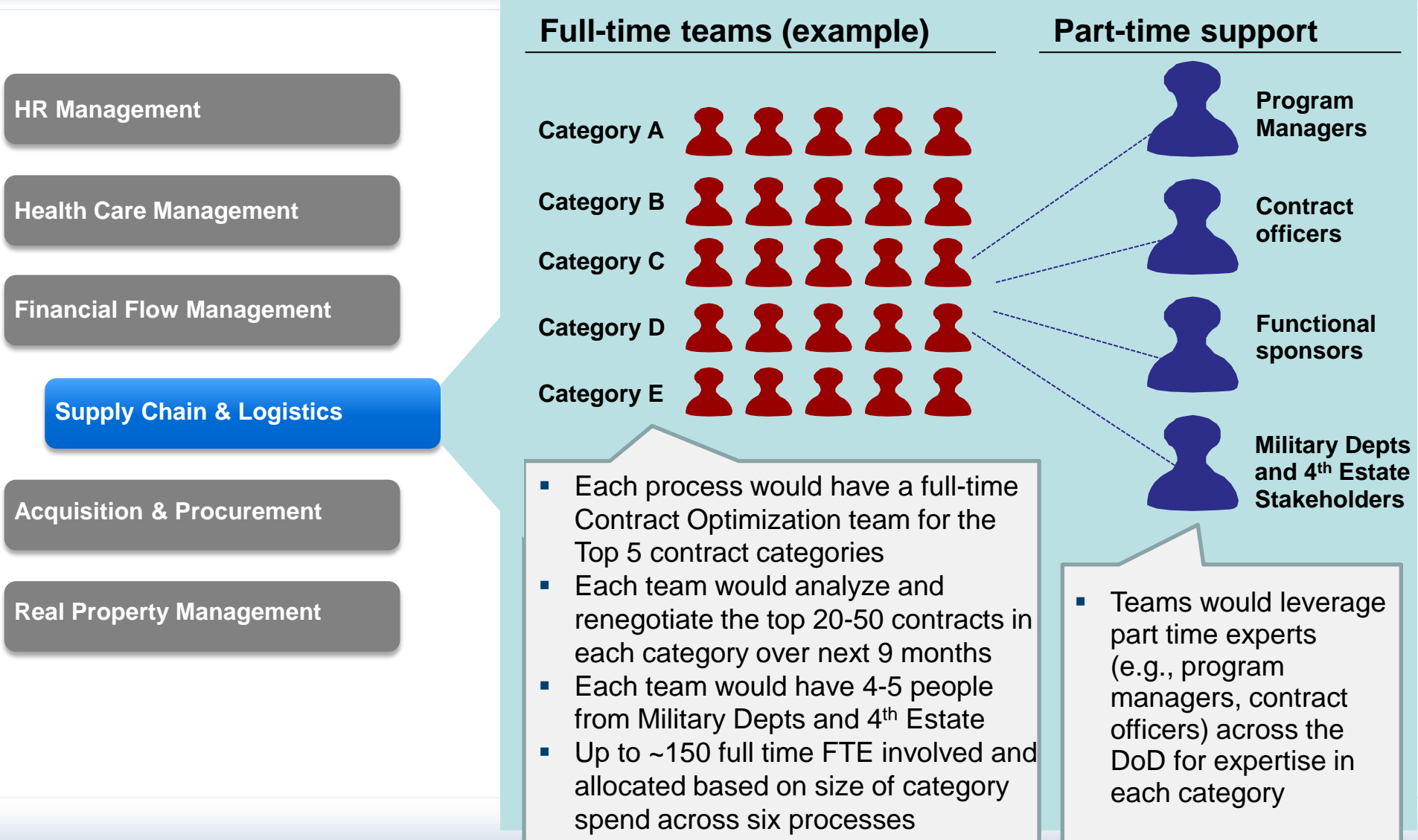
Deploy productivity initiatives in high-priority processes, activities, and organizations

### Align workforce planning and track savings

Create workforce optimization strategy aligned to changes in productivity (e.g., early retirements)



# Contract Optimization – Team Options



# Contract Optimization FY15 Mobilization Timeline

Feb

Mar

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec

## Prioritize contracts

- Create prioritized set of contracts based on size, complexity and contract terms

## Stand up teams

- Create full-time teams to implement effort
- Ensure resources span functions and cross-DoD organizations (e.g., Military Depts and 4<sup>th</sup> Estate)

## Pilot Contract Optimization program and train teams

- Pilot the methodology in 3-5 contracts in each category
- Create playbooks, templates, tools, and models
- Conduct intensive training program for full-time teams

- Full-time teams would implement the methodology cross the high-priority contracts

## Implement contract optimization program across Top 100+ contracts in each business process

- Begin to renegotiate or take other actions to capture value (e.g., cancel or re-baseline contracts)

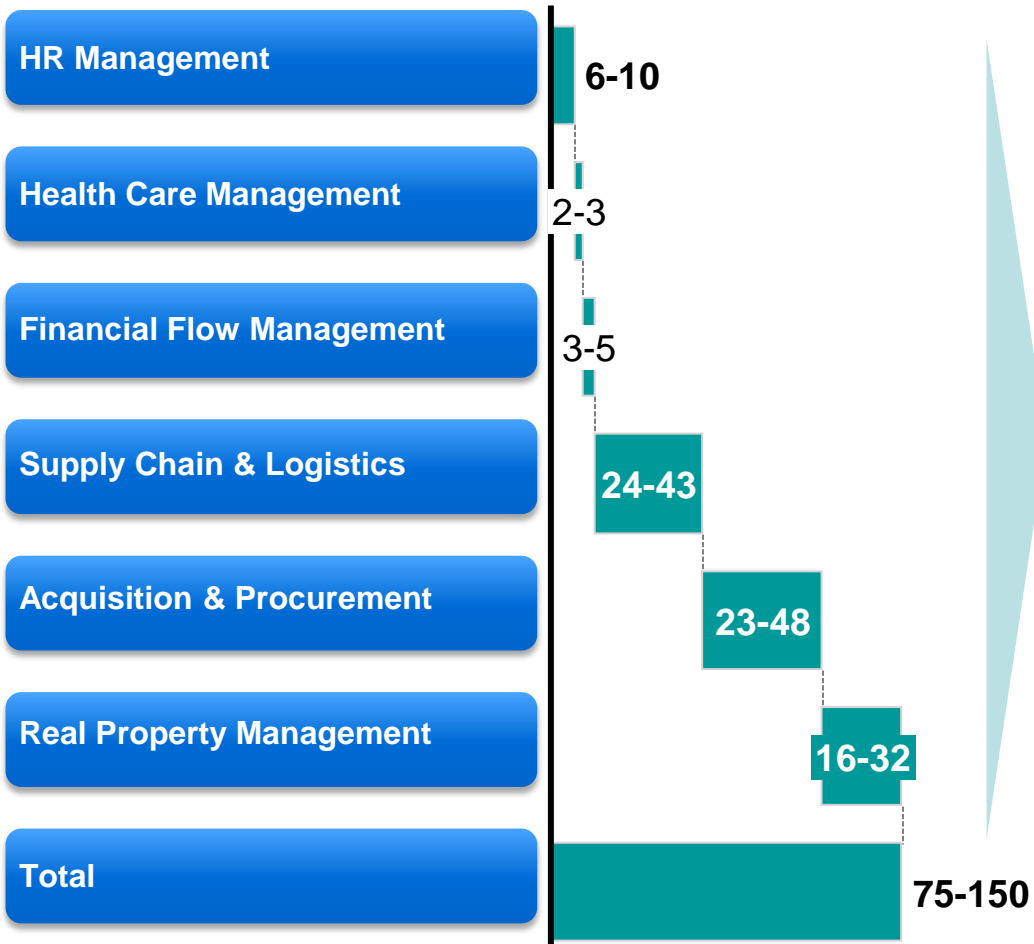
## Validate savings and begin renegotiating contracts

Track savings in central database and measure value capture on ongoing basis



# Potential \$75-150 billion from productivity gains in FY16-20

## Cumulative savings by process, \$B



## Recommendations

- 1 Contract Spend Optimization**
  - Optimize contracts
  - Adhere to requirements best practices
  - Rationalize unneeded demand
- 2 Labor Optimization\***
  - Normalize the labor pyramid through retirements and attrition
  - Optimize CIV/CTR/MIL mix
  - Spans and layers
- 3 IT Modernization**
  - Application rationalization
  - Data center consolidation and managed services
  - Deploy enterprise reference architecture
- 4 Business Process Re-engineering**
  - Set up centralized Agility and Innovation Centers
  - Automate and accelerate manual processes

Note: These savings assumptions are net of any reinvestments estimates (>10%)

\* See DBB Report FY14-01, "Implementing Best Practices for Major Business Processes in the DOD," pp. 61-69 for 'Human Capital Management – Staffing, Layers, and Spans of Control'

These are the final briefing slides as approved by the Defense Business Board in its public meeting held on January 22, 2015.

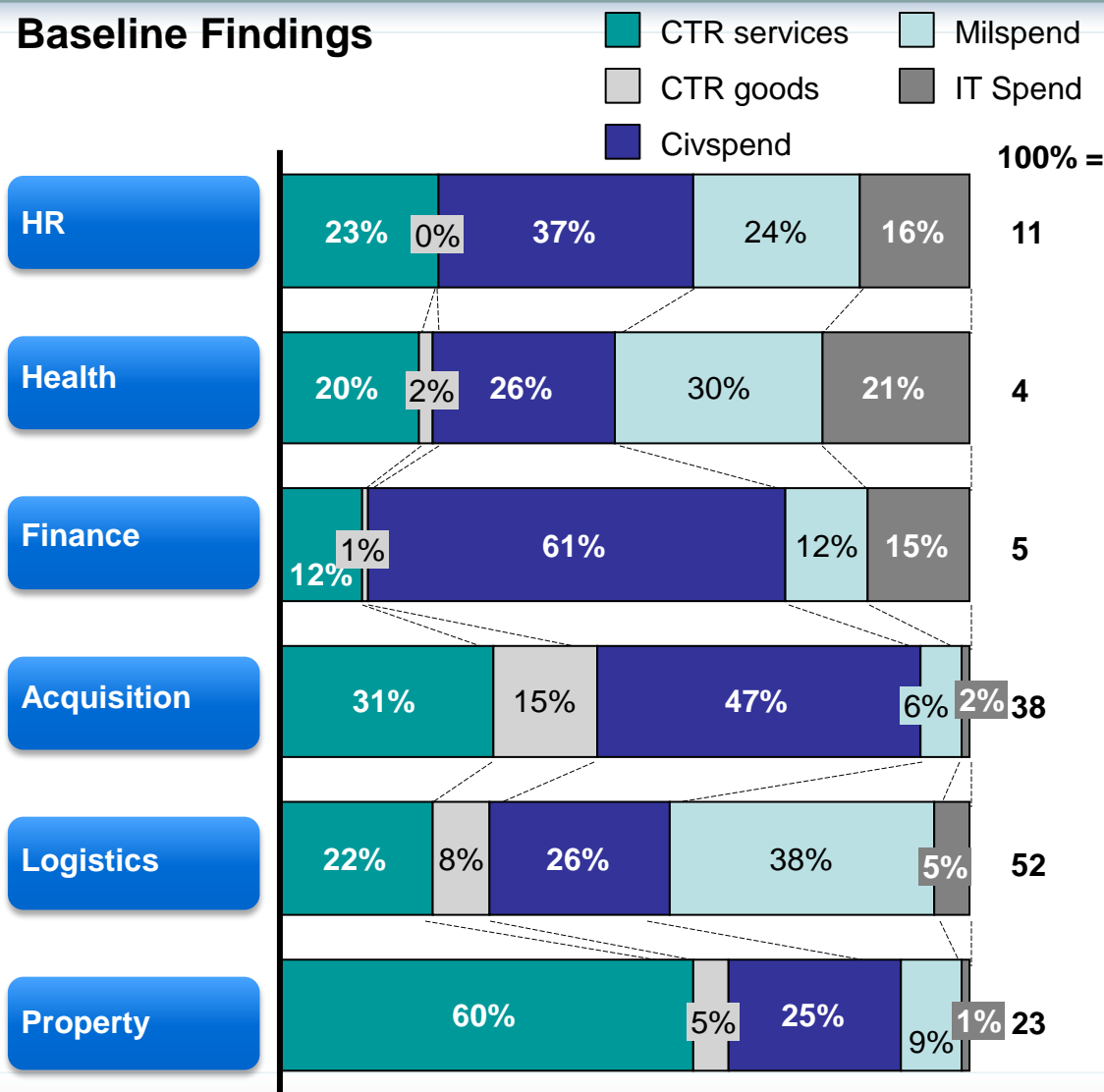
The full DBB report will contain more detailed text which will reflect the totality of the points discussed and any modifications adopted by the Board during their deliberations.





# Each process has different levers for optimization

## Baseline Findings



## Recommendations vary by process

### Short/Med term – 12-24 months

- 1 Optimize contract spend \$**
  - 65% of Real Property spend
  - 45% of Acquisition and Procurement
  - Key lever across all processes
- 2 Labor Footprint Optimization**
  - ~73% Financial Flow spend\*
  - ~65% Logistics spend\*
  - ~53% of Acquisition and Procurement spend
  - ~62% of HR spend\*
- 3 Modernize IT**
  - 22% of healthcare spend
  - 16% of HR spend

### Long term – 3+ years

- 4 Business process transformation**
  - Highest impact in HR, Financial Flow and Acquisition/Procurement

\* See DBB Report FY14-01, "Implementing Best Practices for Major Business Processes in the DOD," for Finance, Logistics, and Human Capital

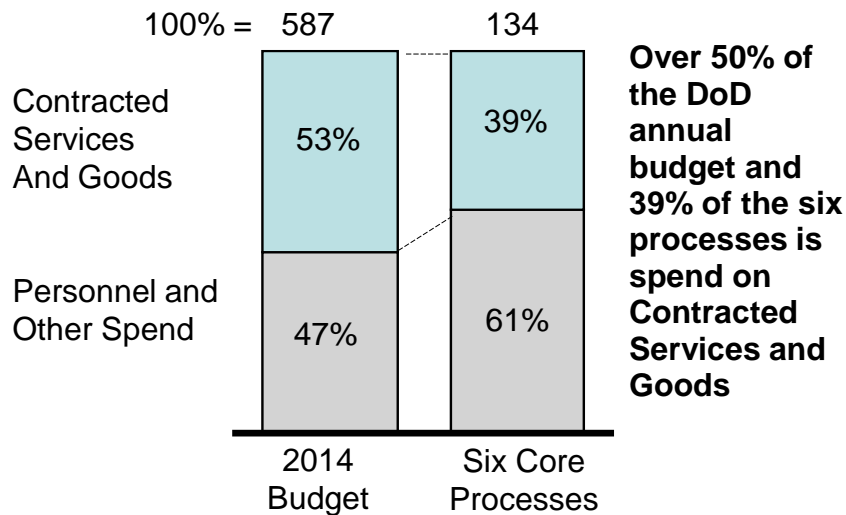
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# Potential \$46-89 billion in productivity gains from Contract Spend Optimization FY16-20

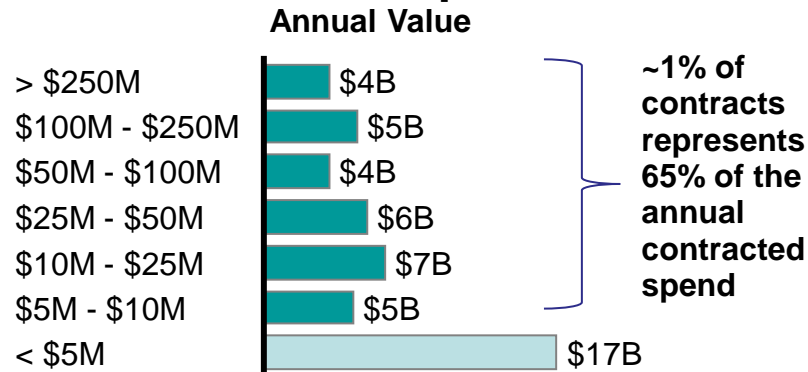
## Baseline Findings



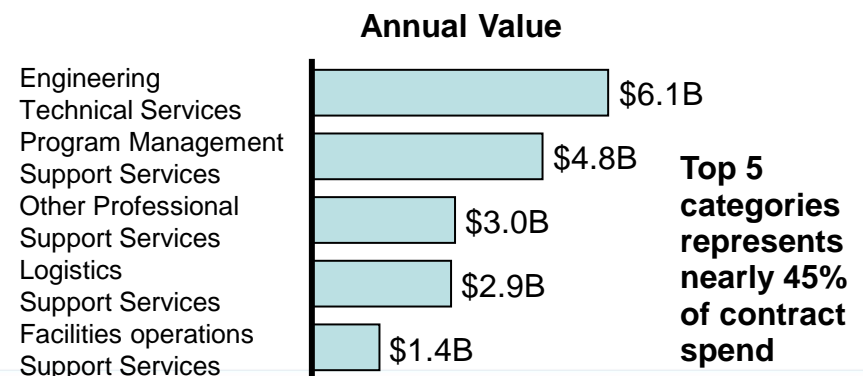
## Best practices and recommendations

- 10-25% savings on contract spend from Contracts Optimization of targeted categories spend to capture value. Levers include:
  - More rigorous vendor negotiations
  - Aggregating spend to gain economies of scale
  - Reducing contract fragmentation
  - Increase productivity from labor contracts
  - Rationalize demand (eliminate unneeded spend)
  - Modified requirements (e.g., eliminate "gold plating")

## Baseline contract spend breakdown

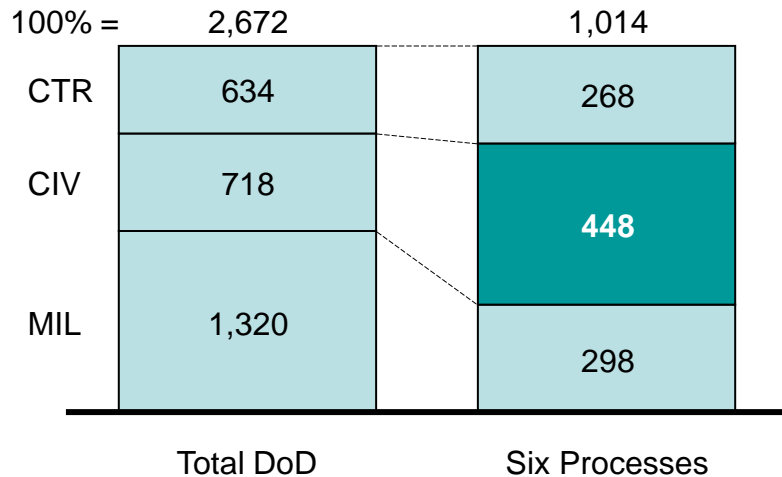


## Top contract categories



# \$23-53 billion in productivity gains can be absorbed through retirement & attrition FY16-20

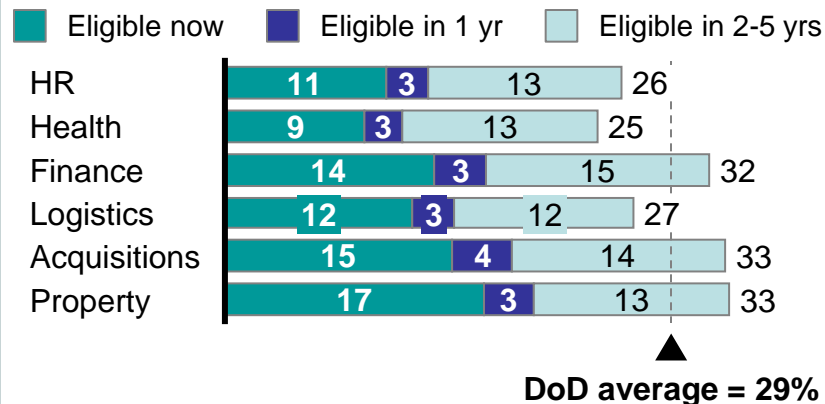
## Baseline Findings (# people in thousands)



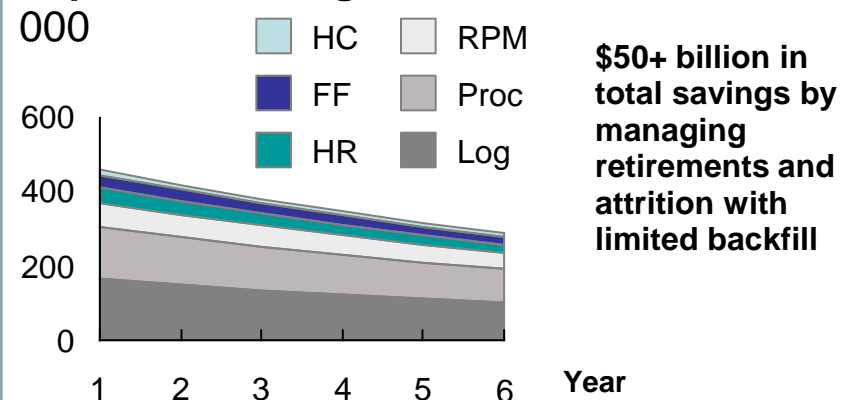
## Best practices and recommendations:

- **8-13% annual savings from Optimizing the Government Labor Footprint. Levers include:**
  - Optimize the labor pyramid for each process
  - Evaluate organizational structures and remove unnecessary or excessive layers and increase spans\*
  - Review organizational structures to identify and reduce areas of complexity and redundancy
  - Review and optimize civilian-contractor mix (e.g., could be increasing USG staffing and reducing CTR staff)
  - As core processes redesigned, military personnel freed up for other purposes

## % Retirement eligible over next 5 years



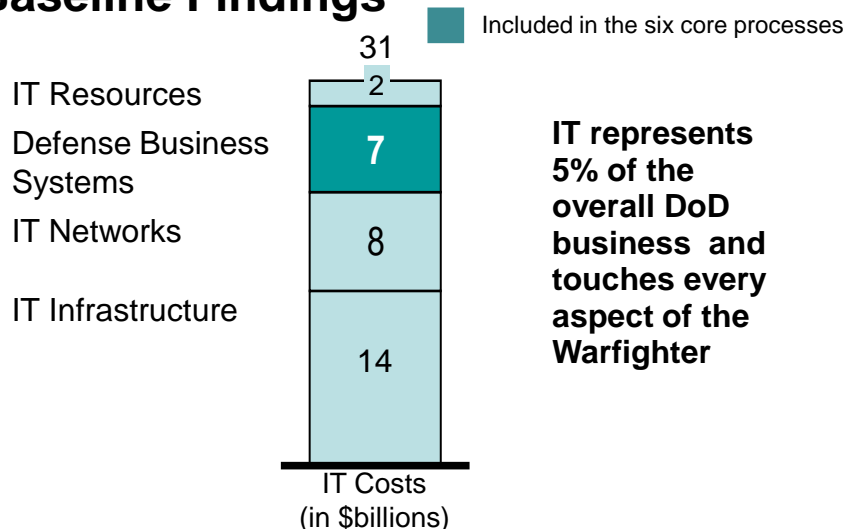
## Impact of managed attrition



\* See DBB Report FY14-01, "Implementing Best Practices for Major Business Processes in the DOD," pp. 61-69 for 'Staffing, Layers, and Spans of Control'

# \$5-9 billion in potential productivity gains from IT Optimization FY16-20

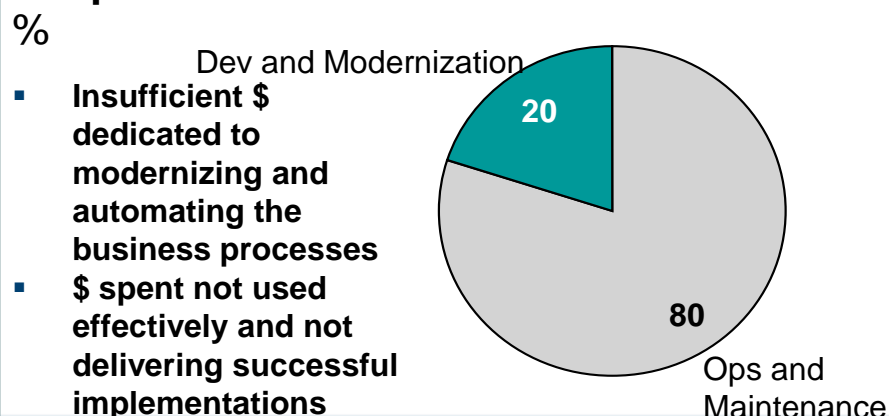
## Baseline Findings



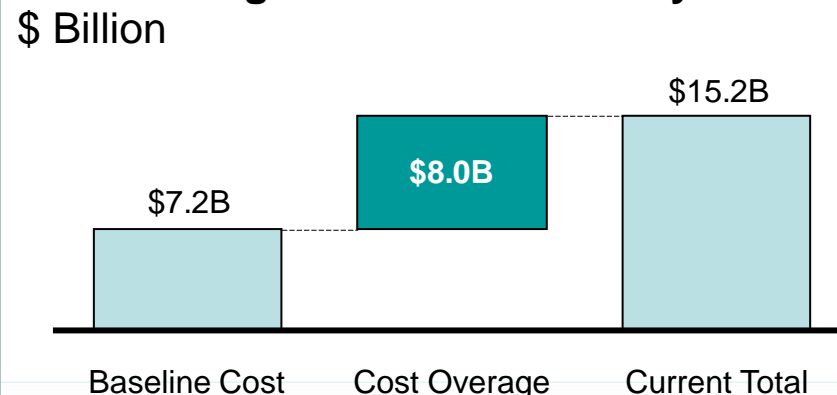
## Best practices and recommendations:

- **15-40%+ improvement in IT productivity and effectiveness. Levers include:**
  - 15-25% savings from application rationalization and consolidation
  - 30%+ savings in strengthening investment cases, prioritizing requirements and eliminating low-ROI programs
  - 25-40% savings from increasing productivity of IT resources through lean and process redesign
  - 20-30% long-term savings through data center consolidation and cloud migration for targeted workloads

## IT Spend in the Six Core Functions



## Cost Overage from 8 DoD ERP systems



# Accelerate IT Network and Data Center consolidation with Shared Services

## Findings:

- Current organization separates IT and business staff into different reporting structures
- IT staff are independent entities spread across the agencies with inconsistent standards, quality, security and strategies, and often lack transparency
- Capital constraints often make basic improvements unachievable. Increasingly expensive to maintain and secure legacy systems\*
- Industry resource pool to support legacy code is diminishing (new tech graduates don't want to be COBOL programmers)

## Recommendations:

- Establish Information Technology Core Services as a shared-services organization
- Provide cloud provisioning and data pools to Innovation and Agility Support Services and Action Centers using self-service
- Manage large data pools, mastering key data records, and provide big data analytics and predictive insights across all enterprise business processes
- Use commercial business models to set targets and manage expectations
  - Establish and track metrics to ensure compliance with intended goals
  - Track savings and allow relocations to fund additional modernization efforts\*

\* See DBB Report FY12-01, "DoD Information Technology Modernization: A Recommended Approach to Data Center Consolidation and Cloud Computing"



# Consolidate print services and eliminate/ automate forms

## Findings:

- Unmanaged and costly office output environment (copy/fax/print)
  - Low device to employee ratios (1:1, 1:2)
- Decentralized/unmanaged print acquisition across many vendors
- Multiple sub-optimized internal mail and print facilities
- Inconsistent records management policies for retention/destruction compliance
- Reduce/eliminate massive manual forms use that are the result of poor systems and process automation

## Recommendations:

- Move to Managed Print Services – 20-30% savings opportunity [1]
- Consolidate to print management center of excellence with savings guarantees (25-50%)
- Establish composition and document management center of excellence internally or outsource to trusted partner
- Exploit plummeting cost of digital storage:
  - Migrate from paper to digital archives
  - Scan to searchable pdf's
  - Update paper and electronic destruction policy and capabilities



# Reduce risk – concentrate skills with Legacy Migration Shared Services

## Findings:

- Considerable business process and application obsolescence
- Inconsistent performance metrics and reporting
- Poor operational, technical and financial transparency
- Substantial waste due to lack of standardization and territorial isolation
- Siloed data results in conflicting analytical views; no single-point-of-truth for data
- Pockets of excellence exist where new technologies have been successfully deployed
- Past implementation failures of large-scale technology projects is a resistance multiplier to major change projects

## Recommendations:

- Establish legacy migration production lines as a shared service. Build competency centers and best practices to dramatically reduce risk and accelerate change
- Adopt a “coexistence” strategy of old with new data to enable a “run the business while you change the business” approach. Existing systems remain intact and gradually decommissioned as legacy data migrates to a new platform to be virtualized and enhanced
- Adopt a modern adaptive enterprise architecture to provide the tools for dramatically accelerated and lower cost business process modernization (see slide 26)
- Adopt a Multi-cloud architecture for ultra scale interfacing through a single, open source cloud foundry foundation, supported by a single DoD enterprise data architecture





# Accelerate results – Concentrate skills with Process Redesign Factory

## Findings:

- Defense Agencies and military departments (Military Depts) have demonstrated “pockets of excellence” which need to be leveraged
- Few personnel are currently qualified for process redesign; have limited tools
  - Training programs need to be expanded and accelerated
- Historically, successful redesign has required more effort and longer than expected time frames and has been “tribal” in nature
- Substantial business process sub-optimization. Lack of inter-Service and Agency collaboration is a major obstacle to high performance modernization
- Capitol Hill constituency and regulations are critical design components

## Recommendations:

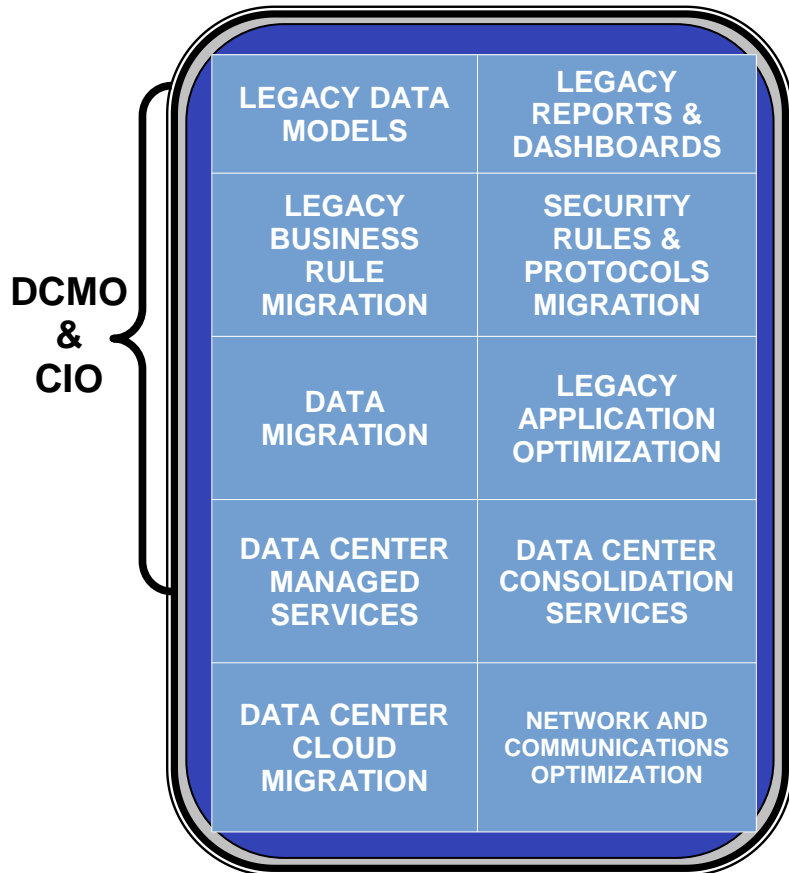
- Establish Business Process Application Factory as a shared service. Build competency centers and best practices to dramatically reduce risk and accelerate change
- Create business “Process Champions” for each enterprise business process with responsibility for end to end performance, prioritization and productivity
- Focus on the 80/20. Each enterprise business process is comprised of many sub processes. Prioritize these sub processes for redesign by opportunity
- Establish “bold goals,” i.e. 50% reduction in cycle time, 30% improvement in productivity, and multi year plans. Don’t think incrementally, adopt big ideas
- Create hybrid business process innovation and agility centers staffed with business and technology domain experts, with Defense Business Council (DBC) oversight
- Establish DBC Innovation and Agility “Academy” to accelerate business process redesign skills development
- Align what gets recognized, reinforced, and rewarded with the business process performance improvement goals



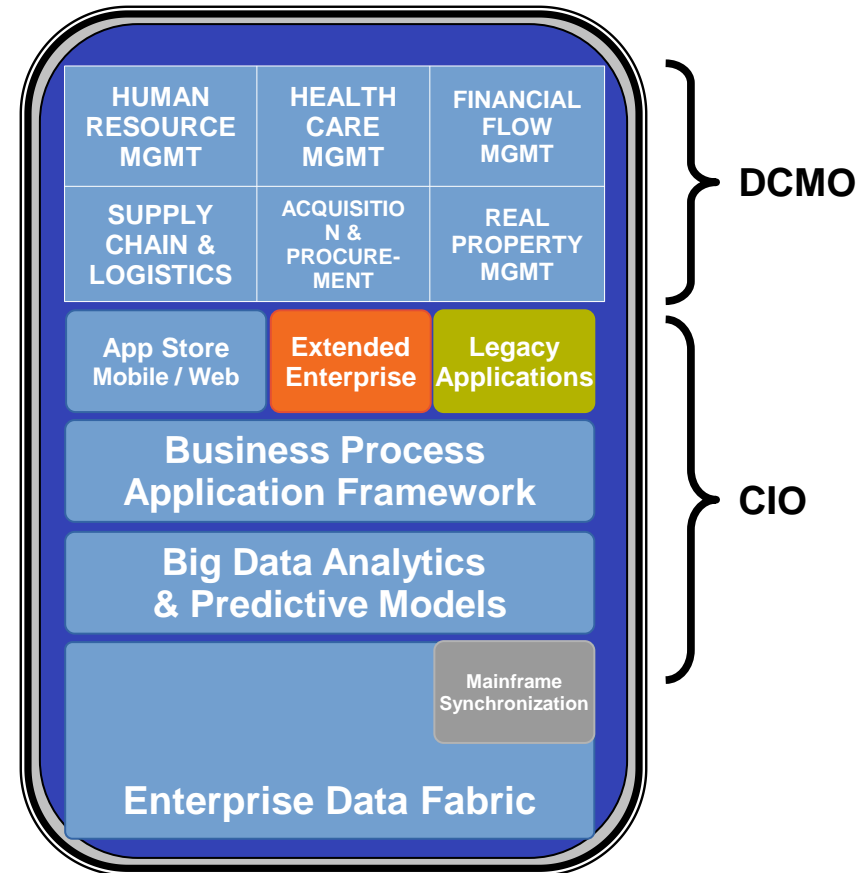


# Dramatically reduce execution risk with Legacy Migration – App Factory shared services

## Legacy Migration Production Lines

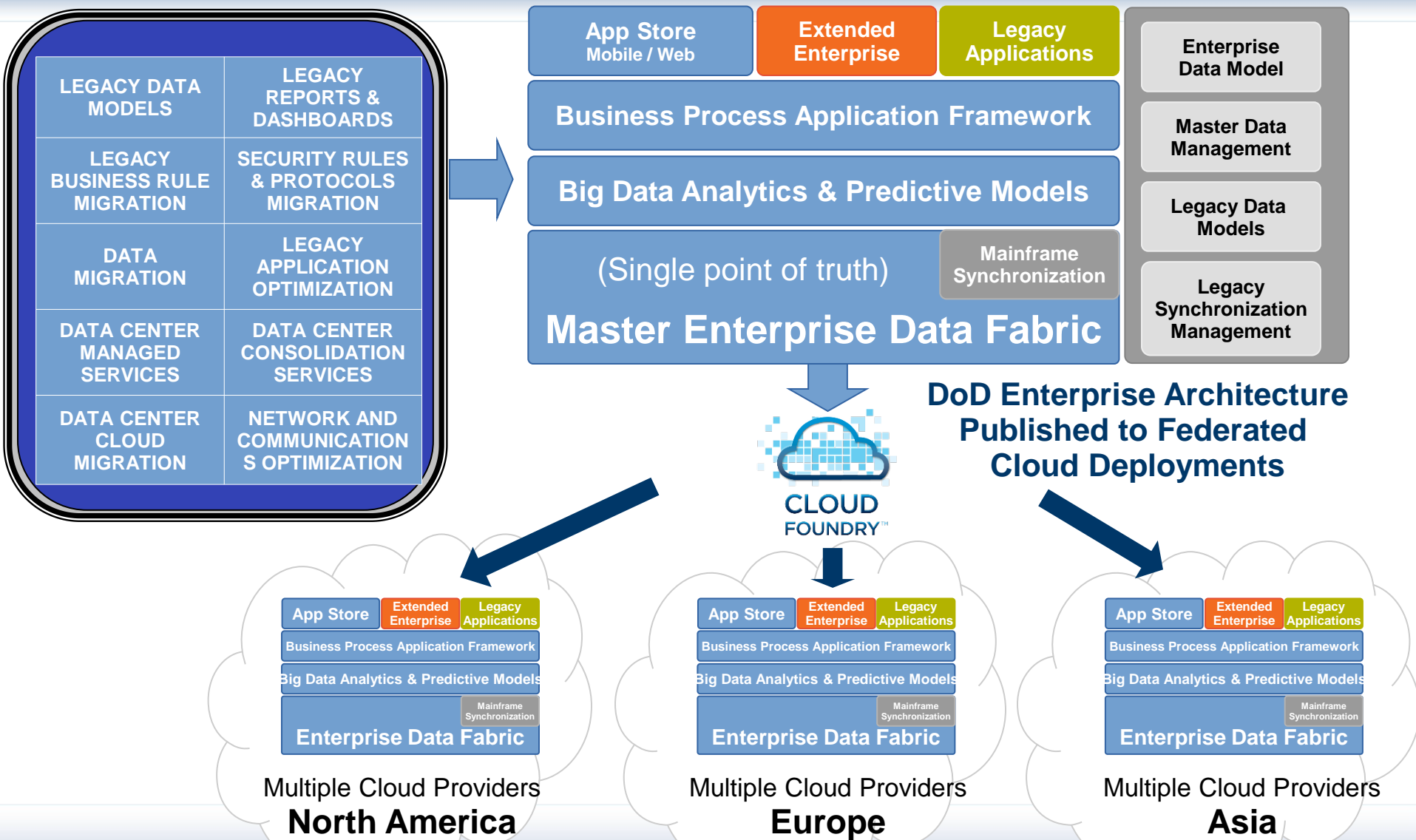


## Business Process App Factory



# Legacy Migration Production Lines

# Business Process Application Factory



# Innovation must be supported by culture change

- Technical solutions are an enabling tool for more efficient, effective and streamlined business processes but will not, by themselves, achieve the savings and process improvements envisioned
- Even in the private sector, only about 17% of fundamental change projects deliver their full potential [2]
- Large organization change experience over decades confirms that success is highly correlated to a few critical project dimensions:
  - Strong, consistent top leadership
  - Clear vision, aligned with strategy and widely communicated
  - Effective governance structure with clear decision-making authority
  - Defined accountability at all levels with reward and enforcement mechanisms
  - Engaged workforce and supportive stakeholders



# Best Practices in Change Management Starts with Strong Leadership & Clear Governance

## Strong Leadership and Governance Structure

- Leadership at the highest level, actively and visibly engaged is key
- Leader needs small team of highly competent advisors in change management, human resources, communications and stakeholder management available throughout the project
- Senior “business” leaders as well as functional leaders form the governance committee
- Strong project manager reports directly to highest leader
- High level committee or council appointed with relevant senior “business” and functional leaders
- Priority accountability for all members – no deputies or substitutes
- Clear accountability for decisions, widely understood decision-making and dispute resolution rules
- Adequate resources (budget and expertise) to support change
- Full-time, experienced project manager with widely-recognized authority



# Clear Vision & Defined Accountability are Key

## Clear Vision

- Leader crafts the vision for change, aligned with organization's strategy and supported by a powerful case for change
- Vision is widely, frequently and consistently communicated
- Need to communicate with external stakeholders is recognized; the vision and case for change is communicated clearly and frequently to critical external stakeholders

## Defined Accountability

- What gets measured gets done; leadership defines key metrics and milestones
- Accountability should be defined at all levels of execution. Key internal stakeholders must clearly understand their responsibilities
- Change champions throughout organization identified and supported
- Early successes are celebrated and rewarded
- Individuals resisting change are identified early and addressed swiftly and consistently
- Pay for performance tools actively applied



# Success depends on an engaged workforce and collaboration with stakeholders

## Engaged Workforce and Stakeholders

- Key external stakeholders identified, mapped and engaged as appropriate through communication, collaboration and partnership
- Communications with affected workforce and stakeholders is frequent, consistent and two-way – leadership listens and responds to feedback
- Transparency is critical – project metrics and milestones, decision rules, progress, reward and enforcement structure
- Benefits to user community – “what’s in it for me” – and recognition of the employee experience – “employee-focused” – are a priority and are made explicit
- User community actively engaged in redesigning work practices in collaboration with relevant functional and technical colleagues
- Successes are rewarded and celebrated. Champions are recognized
- Impact of communications is measured, qualitatively and quantitatively, to test if messages “are sticking”



# Design and Implement a DoD Change Strategy to Support Core Business Process Transformation

## Findings:

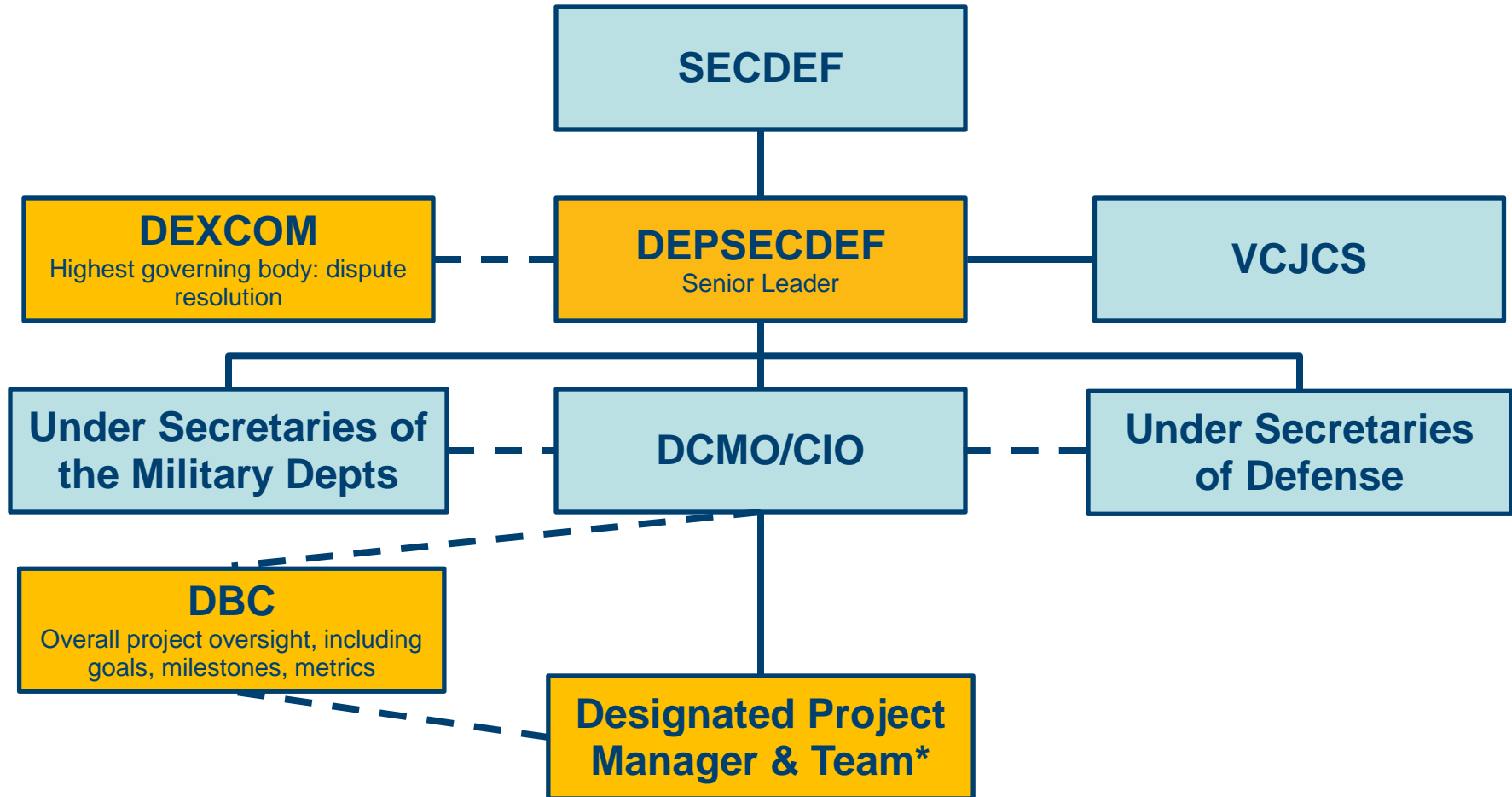
- Consistent, committed, visible leadership, the *sine qua non* for driving successful change is challenging in the DoD environment. Sustained leadership of change is very different from private sector given the short tenure of both civilian and military top leaders
- A trans-DoD strategy and vision for change is extremely difficult in an environment of subcultures among Military Depts and defense agencies
- Governance structures are diffused, clear decision-making authority is often fragmented or non-transparent
- Despite decades of change programs, including some notable success, DoD has no institutionalized agenda or process for change management

## Recommendations:

- The DEPSECDEF and Service Under Secretaries commit to continued visible and powerful role leading transformation. Consider altering tenure policy for key project leaders
- The top governance structure is confirmed. Roles, authorities and accountabilities are established and widely communicated (see slide 32)
- Business case is clearly articulated, and project scope, objectives, metrics and timetable are established, communicated and reinforced
- Leadership identifies and retains appropriate change management experts, internally and externally, to support organizational effectiveness, communications, external relations
- See DBB Report FY11-01, “A Culture of Savings: Implementing Behavioral Change in DoD”



# Possible Core Business Process Transformation Governance Structure



\* See DBB Report FY11-01, "A Culture of Savings: Implementing Behavioral Change in DoD," Appendix A, p. 38 for 'Change Program Office Resource Model'





# Design and Implement a DoD Change Strategy to Support Core Business Process Transformation (cont.)

## Findings:

- There are few performance measures and performance management practices in general use and they are inconsistent across civilian and military workforces
- Legacy of partially successful and unsuccessful programs, together with lack of wide recognition of successful projects, has created a cynical and change-resistant culture
- Experienced and trained experts in critical change components – organizational dynamics, communications, stakeholder mapping, strategic external relations – in short supply for major change efforts

## Recommendations:

- Identify performance management policies least supportive of change objectives and develop strategies to improve them. Set goals and targets for affected populations and actively use existing incentive programs to reward success
- Defuse negative perceptions of change by focusing on user/employee experience.
- Establish two-way communications channels (horizontal and vertical) within DoD, commit to transparent and frequent communication
- Identify skills gaps and provide technical training
- Actively manage natural attrition trends to reduce workforce anxiety.
- Recruit change leaders at all levels of affected organizations and engage user community
- Consider strategies for early “quick wins” and publicize success, including celebrating change champions
- Build internal change management expertise



# Design and Implement a DoD Change Strategy to Support Core Business Process Transformation (cont.)

## Findings:

- Policies, regulations, protocols and politics, often controlled by external stakeholders and difficult to influence, can represent barriers to trans-DoD change efforts
- But – there are some examples of successful large-scale change programs in the public sector and the government – e.g., Internal Revenue Service, Business Systems Modernization

## Recommendations:

- Revitalize training in LEAN/Six Sigma and other efficiency improvement techniques across core business processes
- Identify policies, practices and artificial constraints that handicap mission-critical improvements and develop influencing strategies to revise them
- Reset critical third-party relationships, including unions and suppliers, based on transparency, shared purpose, collaboration
- Create a detailed stakeholder map of external stakeholders and develop specific strategies for each to communicate, educate and influence as appropriate
- Identify DoD change management successes and use as case studies to describe critical success factors and integrate them into CBP Transformation plan



# Critical Success Factors

- Fundamental redesign of core business processes – what is the ideal future state?
- Committed and visible leadership
- Powerful vision statement
- Bold Core Business Process Transformation Change plan\*
- Clear targets, objectives and metrics
- Dynamic two-way communication strategy with workforce and critical stakeholders
- Implementation of early retirement program\*
- Incentives to retain critical talent during transition
- Focus on quick wins
- Acceleration of existing efficiency projects
- Organizational restructuring that creates permanent efficiencies\*

\* See DBB Report FY14-01, “Implementing Best Practices for Major Business Processes in the DOD,” pp. 61-69 for ‘Human Capital Management’



# Critical Success Factors (cont.)

- Strategies to address identified obstacles, including:
  - Internal practices and policies
    - Supervisor training
    - Use of performance management tools and incentives
    - Better communication channels across the Military Depts
  - External regulations, Congressional and Administrative practices and policies, long-standing relationships
    - Title 10 –re-interpretation to reduce stove-piping and inefficiencies across Military Depts
    - Tenure of senior leaders – large-scale change requires 5-7 years of consistent top leadership
    - OPM regulations – address constraints on civilian workforce management
    - Longstanding relationships with core business process system suppliers who are key Congressional constituents – needs of the Department must come before parochial interests



# The Prize

*Rapid adoption of these recommendations will accelerate existing initiatives and introduce complementary programs that can achieve **\$125B+** in savings over 5 years – money that can be redirected to critical warfighter priorities*



## DEFENSE BUSINESS BOARD



# Questions?

**Transforming DoD's Core Business Processes for Revolutionary Change**

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## Appendices

- A – Business Process Re-design  
Reference Architecture  
Cost-conscious Culture
- B – Case Studies
- C – Footnotes & References
- D – List of Interviews

# DEFENSE BUSINESS BOARD



## Appendix A

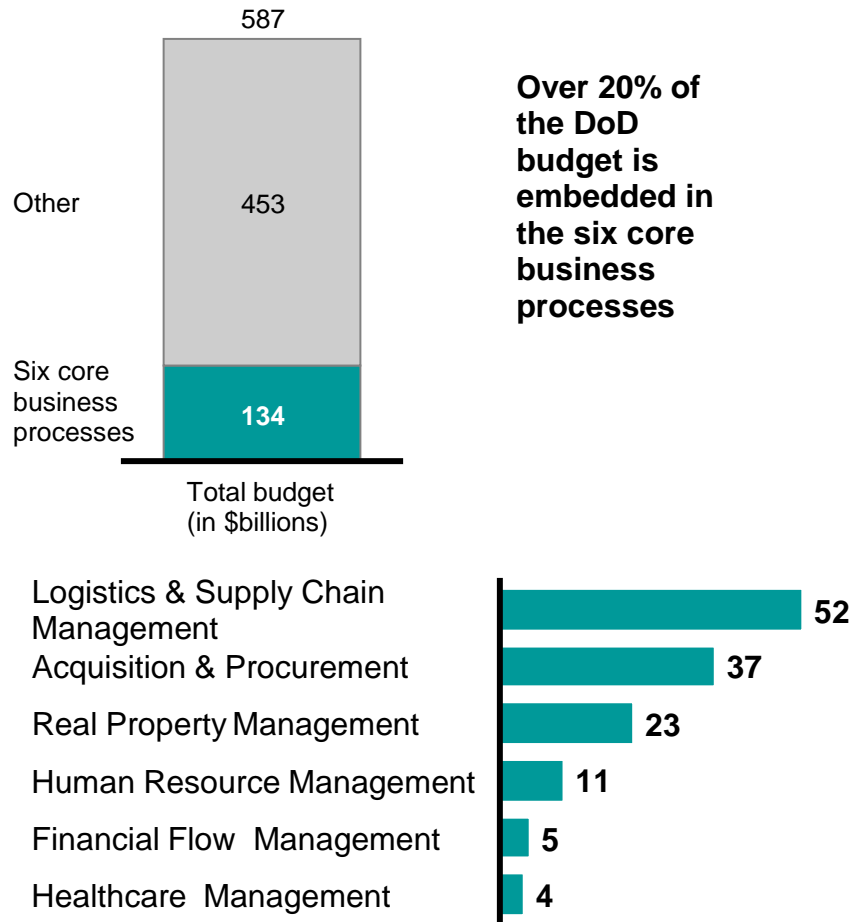
- Business Process Re-design
- Reference Architecture
- Cost-conscious Culture



# Business Process re-design improves tools and support for the work force

## Baseline Findings

ILLUSTRATIVE

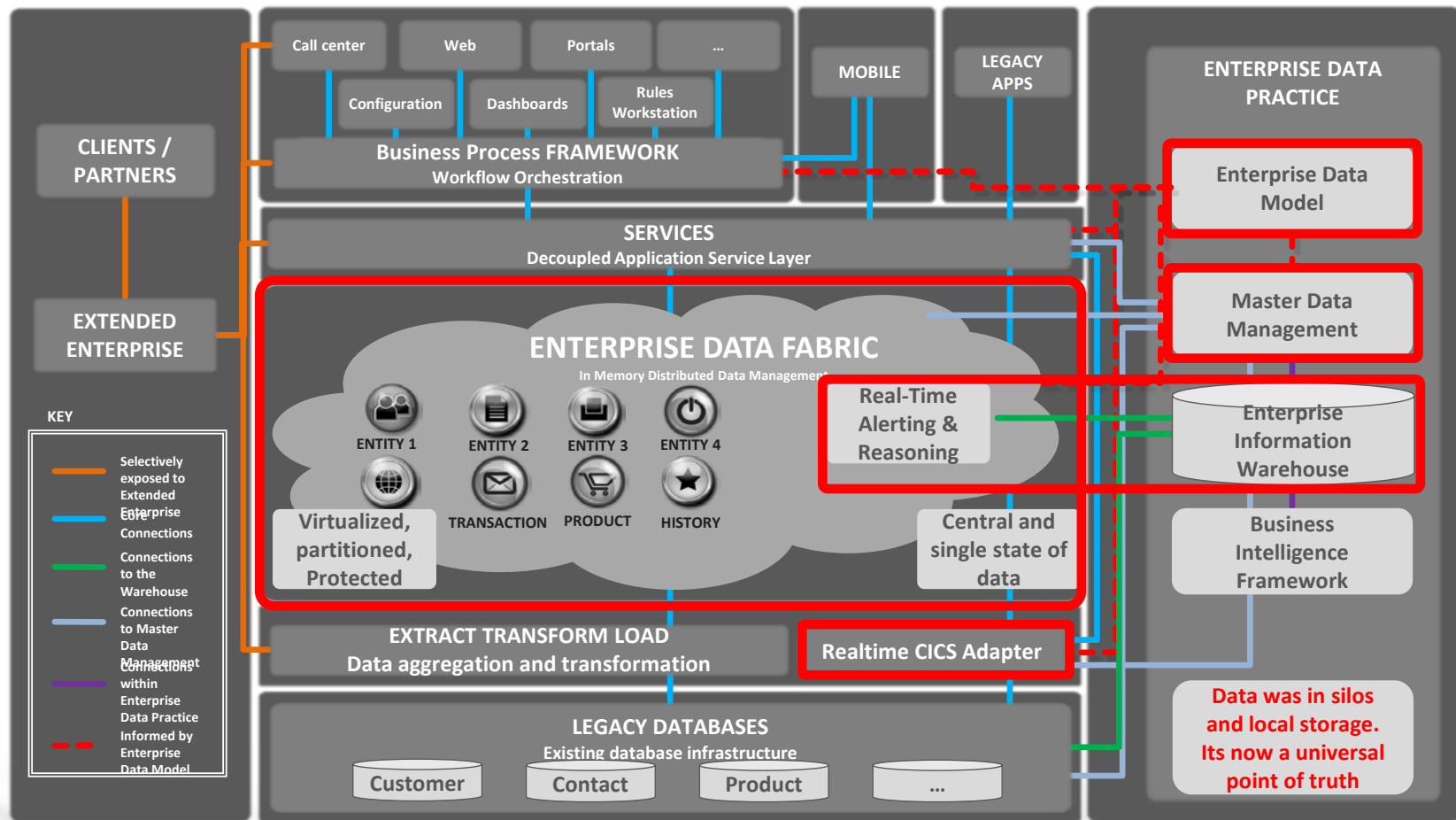


## Best practices and recommendations:

- **20-30%+ savings from End-to-End Business Process Transformation. Levers include:**
  - Consolidate overlapping functions to leverage economies of scale and skill
  - Early retirements can make these reductions much easier
  - Automate processes to reduce manual steps and create a step-change improvement in cycle time
  - Review organizational structures and governance to identify areas of complexity and redundancy
  - Rationalize non-value added activities
  - Centralize accountability and create a dedicated entity to track savings capture over time
  - Adopt enterprise document management as part of redesign



# Reference Architecture delivers an agile end-state and enables the transformation to it



- No reinstallation – in-place migration
- Minimally intrusive to production systems
- Side-by-side testing with legacy systems
- Roll-back capabilities at any time

# Create a cost-conscious culture

## Findings:

- Government employee performance management policies and regulations are in theory more restrictive than those for contractors
- Regulations require civilian compensation be linked to performance. But this is ineffective because performance metrics are not widely adopted
- Military personnel can seldom be linked to performance via compensation and are rewarded with indirect benefits (e.g., decorations and promotions)
- Departmental productivity increases can be rewarded through savings reinvestment into other areas of the department
- Lack of cash flow and staffing transparency for current processes inhibit redesign business case development

## Recommendations:

- Build “base case” process performance metrics; prioritize areas with potentially high savings
- Liberally use available means of recognition (performance bonus, decorations, promotions)
- Develop financial understanding of enterprise business process optimization targets and the relevant transactional drivers
- Enterprise “process champions” lead the development of the business case, demonstrating self funding of modernization through productivity improvements
- Deploy productivity targets to the redesign teams and link to compensation
- Establish process redesign schedule to leverage workforce retirement trends to absorb productivity gains. Consider additional multi-year productivity bonuses to achieve this schedule
- See DBB Report FY11-01, “A Culture of Savings: Implementing Behavioral Change in DoD,” for a more detailed analysis of obstacles to change and recommendations for achieving a cost-conscious culture

# DEFENSE BUSINESS BOARD



## Appendix B: Case Studies

- Internal Revenue Service (IRS)
- Logistics Support Agency (LOGSA)
- Defense Integrated Military Human Resources System (DIMHRS)
- Expeditionary Combat Support System (ECSS)
- IBM
- PepsiCo
- Hewlett Packard (HP)
- Lockheed Martin

# Case Study: IRS

## Business Systems Modernization (BMS)

### ■ Background

- **Goal:** Develop and deliver a number of modernized tax administration and internal management systems and core infrastructure projects intended to replace aging business and tax processing systems
- **Cost:** Multibillion dollar effort
- **Scope:** BMS is designed to improve and expand services to taxpayers and create internal business efficiencies; provides more reliable and timely financial management information to justify resource allocation decision and funding requests
- **Timeline:**
  - 2007 IRS developed a high-level modernization vision and strategy to address program policies, procedures, and tools for developing and managing project requirements; and implemented the initial phase of several key automated financial management systems
  - BMS remained on GAO's High Risk List (since 1995) due to challenges with:
    - Improving processes for delivering modernized IT systems within cost and schedule estimates
    - Developing the cost and revenue information needed to support day-to-day decision making
    - Addressing outstanding weaknesses in information security
  - Early 2011 needed to successfully deliver BMS project Customer Account Data Engine 2 (CADE 2) – its cornerstone tax processing project to move individual taxpayer accounts from weekly processing to daily processing cycles
    - Improved its software development practices using the Capability Maturity Model Integration (CMMI), and in September 2012, IRS reached CMMI maturity level 3
    - CADE 2 named among top seven Federal IT acquisitions
  - Starting in fiscal year 2012, Congress no longer required IRS to submit an annual expenditure plan. Was later removed from the High Risk List [3]



# Case Study: IRS (cont.)

## Business Systems Modernization (BMS)

### ■ Why it Worked

- Leadership
  - Commissioner went to Congress to request funding for the database, a demonstration of commitment to a transformation project not seen before
  - Chief Technology Officer's challenge to employees: Declared IRS would be will operate "now" as a World Class IT organization
- Implemented a vision and strategy
- Collaborated with stakeholders "suppliers" to build trust
  - Invited suppliers to executive meetings and over time the suppliers began to work as part of the IRS organization and goals, not as competitive vendors
  - Executive meetings were focused on identifying key problems to fix and not to point fingers at each other

### ■ Lessons learned

- Horizontal and vertical communications a priority – internally and with external stakeholders
- Style of leadership and power of the vision: senior leaders took visible ownership of the project and took responsibility for the outcome
- Find a way to engage and inspire the workforce
- Operate in a metric-driven environment: set goals and deadlines, hold to them



# Case Study: LOGSA

## The Value of Outsourcing

### ■ Background

- **Goal:** LOGSA wanted someone to come in and completely take over running the day-to-day data center, and to totally get out of doing this line of business
- **Scope:** Primary requirement was access to the data when needed; 24 hours, seven days per week

### ■ Why it worked

- To overcome resistance from acquisition and contracting experts, LOGSA educated and convincingly described the benefits of outsource managed services
- Outsourcing allowed LOGSA to divest from buying, owning, and maintaining the Hardware required to run the Logistics Information Warehouse (LIW), to include costs associated with hardware licenses used to manage 28 terabyte of data

### ■ Lessons learned

- Private sector is much better at using techniques and programs on the current market than DoD, and quicker to adopt cutting edge concepts and applications providing agility and efficiency



# Case Study: LOGSA (cont.)

## The Value of Outsourcing

### ■ Lessons learned

- Achieved 50% cost savings, monthly expenses decreased from approximately \$2M to \$1M\*
- Able to transform its workforce
- Flat rate service fee, includes emergencies and associated repair costs; and service provider and be penalized for not fulfilling service agreement
- Managing changes to the applications falls under the opuses of the contract, which the services part is routinely reviewed and updated

\* Source: Interview with Deputy Commander, LOGSA, Dec 2014





# Case Study: DIMHRS

## ERP Implementation and Acquisition

### ■ Background

#### – Goal:

- One system, one record of service for Active, Reserve and Guard personnel
- Largest commercial off the shelf (COTS) HR system and enterprise resource planning (ERP) implementation ever attempted

#### – Cost:

- Initial software development and deployment cost estimates from an independent source ranged from \$380M to \$1.2B [4]
- September 2003, DoD awarded a \$281M contract to develop DIMHRS [5]
- By December 2008, estimated lifecycle costs rose from \$1.7B to \$16.1B [6]

#### – Scope:

- Replace 80 separate legacy systems which processed over 3.4 million employees and retirees [7]
- Combine payroll and personnel functions for all four Services: Army, Navy, Air Force and Marines
- Army planned to be first to implement, followed by the Air Force, Navy and Marines



# Case Study: DIMHRS (cont.)

## ERP Implementation and Acquisition

### ■ Background (cont.)

- **Timeline:** Began in 1998 with 10 year completion estimate
  - October 2005, the Deputy Secretary of Defense established the Business Transformation Agency (BTA) to assume control the DIMHRS acquisition process
  - May 2009, DoD determined DIMHRS will no longer be implemented as a total force capability
  - September 2009, decided to allow the Army, Navy, and Air Force to develop separate systems and for the Marine Corps to continue using their Marine Corps Total Force System
  - February 2010, DoD cancelled the program after 10 years and \$1B [8]

### ■ Why it failed

- Interaction between consultants and user community – too little and too late
- Geographical location kept project team distant from user community
- Functional oversight over the development was ineffective
- Leadership did not break down siloed mentality and set priorities for the project. Overlapping and competing projects occurred simultaneously
- DIMHRS program lacked disciplined processes that included issue resolution, decision-making, and communication
- Unrealistic cost estimates

*Called a “disaster” by Chairman of the Joint Chiefs of Staff ADM Michael Mullen [9]*



# Case Study: DIMHRS (cont.)

## ERP Implementation and Acquisition

### ■ Lessons learned

- Leadership: Need a champion with longevity
- Change management: Culture can be difficult to change
- Governance: Must have transparency; silos must work together
- Requirements: Must stabilize to stop “requirements creep” and focus on the business process, not the “rules”
- Execution: Must have set milestones, schedules, and managed scope and contract costs. Hold people accountable and responsible
- Data conversion: Data cleansing and data mastery allows for smooth interfaces and prevents “garbage-in and garbage-out” information
- Risk management: Requires candid and frank conversations to make decisive comprehensive decisions
- Congressional oversight: Politics, rather than technology, often sets the limits of what is allowed to be achieved [10]



# Case Study: ECSS

## Business Process Reengineering & Complying with Acquisition Best Practices

### ■ Background

#### – Goal:

- A fully-integrated logistics system that would replace an unspecified number of older, disparate systems
- Aimed to overhaul hundreds of computer systems to better manage global logistics and supply chain networks

#### – Cost: \$1.1B over 8 years [11]

#### – Scope:

- Business Process Reengineering (BPR) guidelines and management principles were mandated by several legislative and internal DoD directives and proven private sector principles to ensure a successful and seamless transition from old methods to new, more efficient ways of doing business
- BPR has proven effective in the private sector, allowing Fortune 500 companies to successfully institute large-scale changes within their business, including changes arising from the merger or acquisition of other businesses. Helped introduce radical innovations and quantum leaps into how an organization does business with the goal to operate more efficiently in furtherance of the organization operations

#### – Timeline:

- Began in 2004 with no approved program baseline; therefore no official estimated cost growth. However, GAO reported that the estimated cost grew from \$3B in 2008 to \$5.2B in their Oct 2010 report [12]
- Cancelled in 2012



# Case Study: ECSS (cont.)

## Business Process Reengineering & Complying with Acquisition Best Practices

### ■ Why it Failed

- **Cultural resistance to change within the Air Force** – users refused to accommodate new ways of performing their day-to-day tasks and not willing to alter their existing business processes in order for ECSS to succeed [13]
- **Lack of leadership to implement needed changes** – no champion for the program within senior Air Force leadership and lack of ownership to oversee implementation from inception to completion. High turnover also contributed to a loss of institutional knowledge [14]
- **Inadequate mitigation of identified risks at the outset of the procurement** – not mindful early on of what business processes it needed to change to properly implement a large commercial off-the-shelf (COTS) business system, costly delays could possibly have been avoided or mitigated [15]

*The Air Force lacked a clear objective and the organizational will to implement changes to its internal business practices [16]*



# Case Study: ECSS (cont.)

## Business Process Reengineering & Complying with Acquisition Best Practices

### ■ Lessons Learned

- Root cause of failure was lack of leadership [17]
- Customizing commercial software is costly, there were over 150 modifications to the original contract, amounting to approximately \$527M obligated to program costs [18]
- Must stabilize program requirements
- Multiple governance structures led to confusion and duplication
  - Strong governance is also necessary for effective change management – keeping operational requirements that were defined early in the program from changing excessively [19]
- Air Force conducted its own internal “crash report” to gain lessons learned to ensure not to repeat the same mistakes



# Case Study: IBM

## The Value of Shared Services and Outsourcing

### ■ Background

- **Goal:** Increasing performance and benefits an organization can gain through the use of service delivery models (SDMs) – defined as shared services, outsourcing or some hybrid combination [20]
- **Scope:**
  - Findings from the IBM 2010 Global CFO Study, with over 1,900 participating senior Finance executives, support the notion that adopting SDMs drives better value, scalability, efficiency and controls [21]
  - The main driver of finance function efficiency is the adoption of “common” process and data standards
  - Three key change enablers to address are;
    - A flexible SDM, in the form of shared services, outsourcing or a hybrid combination
    - Enterprise process ownership, which is an essential prerequisite for transformation to “common” processes and data
    - A common financial system that enables and sustains “common” processes and data

### ■ Why it worked

- Benchmarking study data analysis
  - Over 350 participants quantified benefits that can be gained through the use of SDMs [22]
  - Experienced material improvements of as much as 100% in efficiency, and reduction of 50% or more in costs associated with performing finance and accounting operations [23]



# Case Study: IBM (cont.)

## The Value of Shared Services and Outsourcing

### ■ Lessons Learned

- The use of SDMs can be directly associated with lower process costs and higher transaction volumes across general accounting and reporting, and finance operations
- The top quintile median performance companies in their per group that implemented a SDM are 200% more likely to achieve World Class performance, versus companies without a shared services or outsourcing model [24]
- Across general accounting and reporting, analysis revealed companies that used SDMs have median costs as much as 60% lower and efficiency improvements more that 40% higher [25]
- Analysis of individual processes within the finance payroll report time, revealed the SDM per group's total process costs are 29% lower, and personnel costs are 84% lower [26]
- A SDM by itself is not the whole solution
  - SDMs are optimized when deployed in conjunction with two foundational “enablers” [27]
    - Culture and discipline: Process and data standards, enabled by a global process owner, serve as “gatekeepers” to maintain common processes. The SDM design and implementation should be a compelling value proposition to encourage enterprise adoption of the service model, process standards and underlying technology platform
    - Common technology: Enabling common technology across finance and operations, such as common accounting and transaction processing application environment





# Case Study: PepsiCo

## Change Management and Communications Strategy

### ■ Background

- **Goal:** Transform PepsiCo's Human Capital Management (HCM) infrastructure and operating model from a decentralized to a harmonized global architecture for ~274,000 employees covering 200 countries. "One Version of the Truth" was a key objective for global headcount tracking and management for full-time, part-time, and contract employees with fully enabled Workforce Analytics [28]
- **Cost:** Multi-million dollar program with an expected internal rate of return of 25-30%\*
- **Scope:** Involved the following interrelated components: (1) Harmonization and re-engineering of core global HR processes, (2) With strategic partners and scalable BPO providers, Shared Service enablement (In-sourcing and Outsourcing) through systems deployment and integration of all transactional work (eg., payroll, benefits and core HR transactions), (3) Retirement of 80-90 legacy systems and global deployment of a single HR instance complete with HCM processes and tools capable of providing transparency and networked services and analytics. For large scale operations (eg., US, Canada, Russia and Mexico) SAP payroll instance was used. Smaller scale operations utilized aggregated payroll BPO providers that were interfaced with the SAP HR infrastructure

\* Source: Interview with Executive Vice President, HR & Chief HR Officer, PepsiCo, Nov 2014



# Case Study: PepsiCo (cont.)

## Change Management and Communications Strategy

### ■ Background (cont.)

#### – Timeline:

- 2008-2010: Harmonization and re-engineering of core HR processes in US and Canada. SAP, Accenture and AON Hewitt (2009) contracted for a SAP HCM and Payroll deployment that involved an integrated end-to-end process between PepsiCo, AON Hewitt and other BPO providers with intent to deploy globally
- 2011-2013: NA SAP successfully deployed with a roadmap developed for ROW that included a global networked HR organization structure, and a cost effective service technology strategy that could be scaled as businesses mature
- 2014-2015: ROW deployment underway and on track to meet program milestones

### ■ Why it Worked

- Strong interdependent strategic partners focused on achieving aligned program milestones and metrics. Partners early involvement in the scoping process is critical for program accountability and success



# Case Study: PepsiCo (cont.)

## Change Management and Communications Strategy

### ■ Lessons learned

#### – Leadership

- Transformational change must start at the top with a clear vision, end-state operating metrics and strong integrated functional governance
- The design, development and launch of a major program must be properly invested with strong leadership, appropriate internal/external talent expertise and trained employees capable of operating in the new environment
- Appointment of an influential, disciplined and detail oriented Program Manager (PM) capable of leading a multi-faceted and complex transformation program. Regular program reviews with senior leaders is critical to ensure milestones are met, provide support when required and through their visible involvement, demonstrate to the organization their commitment and importance of the change. Transparency and trust must be fully in place to deal with the complexity and issues that will surface
- For large scale change that involves organization restructuring and process re-engineering, utilization of an organization design company can support assurance of both efficiency and effectiveness of the end-state



# Case Study: PepsiCo (cont.)

## Change Management and Communications Strategy

### ■ Lessons learned (cont.)

#### – Managing Change

##### – Key questions to ask and answer

- What is the degree of change the Leader and/or organization is trying and willing to make?
- What benefit or deliverables will the change bring to the employees and organization?

##### – A multi-discipline Transformation Team must remain in place to provide continuity and see the change through critical inflection points

##### – IT and the business leaders must work seamlessly together. The business leaders must take the lead with support from IT in re-engineering business processes. Business leaders must fully support the PM in harmonizing processes and discourage unnecessary customization (one of the key reasons costs spiral in technology enabled transformation programs)

##### – Managing the “blockers” of change

- Leaders must clearly answer and regularly communicate to employees: Why should I? What's in it for me?
- As part of the change management process, engage wherever possible, managers and employees in the design of the harmonized processes and end state organization structure. Opposing viewpoints are welcome if accompanied by alternative solutions fitting within the defined scope
- Develop and deploy a capability building agenda for operating in the new model in advance of go-live timelines. Builds support for successful execution of the change
- If “blockers” are in senior or middle management positions and not capable of embracing the change, they must be reassigned or exited to ensure success of the transformation



# Case Study: PepsiCo (cont.)

## Change Management and Communications Strategy

### ■ Lessons learned (cont.)

#### – Communications Strategy

- Communications and HR professionals must be initial and continual members of the Transformation Team as they are a key part of change management
- Communications must be multi-channeled and frequent. As early as possible, a communication strategy must be developed that includes a foundational document to articulate the vision, key components of the change and quantification of the benefit to the organization and employees. All other regular communications follow from this foundational document to ensure consistency of messaging and enable building commitment and momentum for the change
- Frequent leader-led communications and dialogue using aligned consistent messaging from the Transformation Team is one of the most impactful channels of communication to employees throughout the transformation journey



# Case Study: Hewlett Packard (HP)

## Leadership and Effective Communications

### ■ Background

- **Goal:** Effective communications in a large complex organization and creating a burning desire to embrace change for the good of the entire organization
- **Scope:** HP, one of the biggest 25 IT companies on the Fortune 500 list was able to effectively manage during a down budget through strong leadership and a communications strategy [29]

### ■ Why it worked

- CEO personally led the effort through strong leadership attributes and behavior
- A defined company rally cry, “HP Way Now”
- A set culture and HP values
- Communicated to groups of people; executive level, different tiers of management levels, partners, employees, etc.
- Messaging touched everyone to ensure all understood the purpose



# Case Study: Hewlett Packard (cont.)

## Leadership and Effective Communications

### ■ Lessons learned

- Clearly articulate the change and the future state, and why the change is happening, how the change will happen, and the benefits of the change
- Communicate early wins and successes to keep employees engaged and positively reinforce the change
- Map out the change journey for impacted audiences; define each stage of the journey in the words of the employee. Identify key moments of truth
- If you want to drive a change in behavior, the manager is critical. Engage managers early in communication activities to position them to be change agents
- Leadership engagement is critical to driving change; ensure your leaders are visible and available during the change
- Identify those who embrace change and use them as ambassadors to endorse and promote change
- In times of change emotions often overrule logic – don't discount or ignore how people are feeling



# Case Study: Lockheed Martin

## Strategic Communications Framework

### ■ Background

- **Goal:** Creating employee excitement and raise awareness to drive change
- **Scope:** Lockheed Martin, one of the world's largest defense contractors, took the principles of Lean and Six Sigma beyond the traditional manufacturing applications to help improve processes in administrative and support functions; including accounting, business development, payroll, human resources and procurement
- **Timeline:**
  - In 1998, Lockheed Martin introduced its process improvement program, which included Lean and Six Sigma, evolved from a “best practices” approach to help integrate 17 heritage companies to a corporate way of life [30]
  - After five years of Lean and Six Sigma deployment, Lockheed Martin had accrued more than \$4B in certified savings and introduced the methodologies to more than 5,000 leaders [31]

### ■ Why it worked

- Hired a professional agency to create and implement a strategic communications framework
- Executive leaders and change agents were trained and routinely met to exchanged lessons learned for continual effective messaging throughout the organization
- Leadership played a strong active role, “walked the talk” a set of behavior





# Case Study: Lockheed Martin (cont.)

## Strategic Communications Framework

### ■ Lessons learned

- Lack of understanding
  - Lean and Six Sigma terms such as “Kaizen,” “Takt time,” “Muda,” and “Green Belt” were completely foreign to Lockheed Martin employees
  - Many employees were also skeptical of the change process, dismissing Lean and Six Sigma as the newest corporate “fad”
  - The language of process improvement needed explanation and context to help change attitudes, perceptions and behaviors
- Communicating effectively
  - L.M. Dulye & Co. provided a strategic communications framework and a variety of effective and sometimes unconventional tactics [32]
    - Created a strategy that was segmented to effectively address a diverse audience, helping those with less knowledge understand the importance and impact of successes; while supporting change agents with meaningful stories from around the Corporation to help “sell” their improvement strategies to corporate leaders
    - Customized multiple communications resources to capitalize on the prominence of 2-way, face-to-face and electronic media in the workplace
    - Produced information tools to bolster manager’s knowledge, both in introducing the initiative and providing frequent progress updates
    - Developed a variety of electronic, virtual and in-person forums for leaders and change agents to share ideas, successes, challenges and to bolster knowledge and expertise on change management



# DEFENSE BUSINESS BOARD



## Appendix C: Footnotes & References

# Footnotes & References

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- 2) “From Now to Next – i4cp, Executive Thinksheet: Organizational Change,” i4CP Institute for Corporation Productivity: p. 1
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- 6) Ibid., 7
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- 8) “Army personnel database picks up where Pentagon left off,” Sean Lyngaas, May 2, 2014: p. 1
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- 11) "The Air Force's Expeditionary Combat Support System (ECSS): A Cautionary Tale on the Need for Business Process Reengineering and Complying with Acquisition Best Practices," Staff Report, Permanent Subcommittee on Investigations, US Senate, July 7, 2014: p. 1
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- 13) "The Air Force's Expeditionary Combat Support System (ECSS): A Cautionary Tale on the Need for Business Process Reengineering and Complying with Acquisition Best Practices," Staff Report, Permanent Subcommittee on Investigations, US Senate, July 7, 2014: p. 2
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- 17) "The Air Force's Expeditionary Combat Support System (ECSS): A Cautionary Tale on the Need for Business Process Reengineering and Complying with Acquisition Best Practices," Staff Report, Permanent Subcommittee on Investigations, US Senate, July 7, 2014: p. 20
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- 23) Ibid.
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- 25) Ibid.
- 26) Ibid., 5
- 27) Ibid., 6
- 28) “Global 2000,” Forbes, May 2014, <http://www.forbes.com/companies/pepsico/>
- 29) “The 25 Biggest IT Companies On The 2014 Fortune 500,” CRN, Rick Whiting, June 12, 2014: p. 23



# Footnotes & References (cont.)

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31) Ibid.

32) Ibid.



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## Appendix D: List of Interviews

# List of Interviews

## Private Sector

### **Amazon:**

Paul Bockelman, Senior Solutions Architect, US Federal/DoD  
Jim Caggy, Solutions Architect  
Shannon Kellogg, Director Public Policy  
Steven Spano (BG Ret), General Manager, Defense & National Security

### **Edelman Associates:**

Harlan Loeb, Global Practice Chair, Crisis & Risk  
Rob Rehg, Regional President, Washington DC

### **Hewlett Packard:**

Gary Angelo, Senior Director, Strategy & Planning  
Amanda Hume-Arellano, Human Resources Strategy and Employee Experience  
Caroline Atherton, Vice President, Global Talent Acquisition  
Marilyn C. Crouther, Senior Vice President & General Manager, Enterprise Services - US Public Sector  
Jason Ferguson, Vice President, Transformation  
Brian Hoffman, Vice President, Human Resources - Americas Region  
Dan Meade, Vice President, Total Rewards





# List of Interviews

## Private Sector (cont.)

### **IBM:**

Anne Altman, General Manager, US Federal Government & Industries  
Ira Gebler, Partner, Finance, Risk and Fraud Domain Leader  
Kevin Green (VADM Ret), Vice President, Defense & Intelligence – Federal  
Ed Lovely, Vice President, Enterprise Transformation  
Stephen Lubniewski, Partner & Vice President, Defense & Intelligence – Global Business Services  
Bruce Morlino, Client Director, Healthcare & Life Sciences  
Linda Sanford, Senior Vice President, Enterprise Transformation  
Marc Wangel, Leader, Strategy & Technology Team, Manager & Executive Architect  
Lisa Yarbrough, Partner, Strategy & Analytics, Public Sector – Global Business Services

### **Northrop Grumman:**

Mark Caylor, Corporate Vice President, President of Enterprise Services & Chief Strategy Officer  
Karen Lowe, Corporate Director, Army Mission Command, Cyber & Enterprise  
Robert McCaleb (BG Ret), Corporate Director Government Relations  
Bernard McVey, Corporate Vice President & Chief Information Officer  
Linda Mills, Executive Vice President, Northrop Grumman Corporation  
Kathy Warden, Corporate Vice President and President of Northrop Grumman Information Systems  
Christina Williams, Director, Enterprise Systems

### **Pivotal-EMC:**

Richard Lamb, Vice President, Field Solutions Team  
Sudhir Menon, Key Architect, Gemfire & SQLFire  
Jags Ramnarayan, Chief Architect, "Fast Data" Products



# List of Interviews

## Private Sector (cont.)

### Xerox:

Teresa Payne-Nunn, Senior Vice President, Mid-Atlantic & Federal Operations  
Marlon Miller, Director, Workflow Automation Solutions – Public Sector  
Mike Zimmer, President, Large Enterprise Operations – US  
Roy “RG” Conlee, Senior Vice President, Chief Innovation Officer  
Dr. David Chu, President, Institute of Defense Analyses

### Individuals:

David Fisher, Vice President & Business Transformation Officer, SRA International, Incorporation  
Amy Kates, Managing Partner, Kates Kesler  
Mark Landy, Vice President, Enterprise Architecture, Johnson and Johnson  
Terence Milholland, Chief Technology Officer, Internal Revenue Service  
William Phillips, Principal in Charge of KPMG's Federal Advisory Unit  
Arnold Purano (MG Ret), Chief Executive Officer, The Punaro Group  
Dr. Cynthia Trudell, Executive Vice President, Human Resources & Chief Human Resource Officer, PepsiCo  
Danny Werfel, Director, Public Sector Practice, The Boston Consulting Group  
Dr. Warren Wilhelm, President, Global Consulting Alliance



# List of Interviews

## Government

### **OSD:**

Manuel Cardenas, Director, C4 & Information Programs Division, Cost Assessment & Program Evaluation  
Mary Snavelly-Dixon, Director, Defense Manpower Data Center  
HON Alan Estevez, Principle Deputy Under Secretary of Defense for Acquisition  
LTG Ronnie Hawkins, Director, Defense Information Systems Agency  
HON Laura Junor, Principal Deputy Under Secretary of Defense for Personnel & Readiness (P&R)  
Mark Krzysko, Deputy Director, Enterprise Information, Acquisition, Technology and Logistics (AT&L)  
HON Katrina McFarland, Assistant Secretary of Defense (Acquisition)  
Teresa McKay, Director, Defense Finance & Accounting Service  
Michael J. Lincecum, Director, P&R Information Management  
Christopher Miller, Program Executive Officer, DoD Healthcare Management System  
Paul Peters, Acting Assistant Secretary of Defense Logistics & Materiel Readiness  
Philip Rodgers, Principal Deputy Director, Acquisition Resources & Analysis, AT&L  
Jeffrey Tucker, Program Analyst, Enterprise Information, AT&L

### **Defense Health Agency (DHA):**

David Bowen, Director, Health IT  
Dr. George Jones, Lead, DHA Pharmacy Operations Division & DoD Pharmacy Benefit  
COL Guy Kiyokawa, Chief of Staff  
Joseph Marshall Jr., Director, Business Support Directorate  
CAPT James Poindexter, Acting Chief, Medical Logistics Division  
LTG Douglas Robb, Director, DHA  
Gerard Rutkowski, Facilities Management  
COL Scott Svabek, Acting Director of Procurement



# List of Interviews

## Government (cont.)

### **Dept of Air Force:**

LTG William Bender, Chief Information Officer  
Marilyn Thomas, Deputy Chief Management Officer

### **Dept of Army:**

LTG Mark Bowman, Director, Command, Control, Communications & Computers/Cyber, J6  
Jeanne Brooks, Director, Technology & Business Architecture Integration  
David Martin, Deputy Commander, Logistics Support Agency (LOGSA)  
Brad McCready, Acquisition Management Specialist/Lead Contracting Officer Representative, LOGSA  
William Smith, Director, Business Transformation Directorate, Office of Business Transformation (OBT)  
LTG Thomas Spoehr, Director, OBT  
Robin Swan, Deputy Director, OBT  
Roy Wallace, Assistant Deputy Chief of Staff G-1

### **Dept of Navy:**

Barbara Hoffman, Former Chief Information Officer

### **Government Accountability Office:**

Cathleen Berrick, Managing Director of Defense Capabilities & Management  
Carol Chu, Director, IT Acquisition Management Issues  
David Hinchman, Assistant Director, IT  
Michael Holland, Assistant Director, IT  
Eric Winter, Assistant Director, IT



# List of Interviews

## Government (cont.)

### **American Federation of Government Employee:**

J. David Cox Sr., National President

John Threlkeld, Assistant Legislative Director

Sheila McCready, Defense Consultant

### **Oak Ridge National Laboratory:**

Jeremy Archuleta, Computational Data Analytics Group

Jeremy Cohen, Program Manager, Centers for Medicare & Medicaid Services Modernization Project

